

our Commonwealth's schools who have demonstrated good citizenship and service to country.

Mr. Speaker, Constitution Week, September 13–17 marks the Two Hundred Twelfth Anniversary of the signing of the Constitution.

The National Society of the Daughters of the American Revolution and the Kentucky Society of the Daughters of the American Revolution promote vigilance among all U.S. citizens to understand and protect the freedoms guaranteed to them by the Constitution. They deserve our respect and our gratitude for their efforts and I offer this statement in recognition of their superb and continuing patriotism.

BIPARTISAN CAMPAIGN FINANCE REFORM ACT OF 1999

SPEECH OF

HON. DENNIS MOORE

OF KANSAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 14, 1999

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 417) to amend the Federal Election Campaign Act of 1971 to reform the financing of campaigns for elections for Federal office, and for other purposes:

Mr. MOORE. Mr. Chairman, during the 1996 election cycle a Virginia-based organization called Triad Management spent hundreds of thousands of dollars in my home state of Kansas, as well as in Oklahoma and Louisiana, among other states. The money was spent on sham issue ads of dubious accuracy. I am including in the RECORD with my statement a copy of a New York Times article that recounts Triad's activities in this regard.

Rigorous debate is part of democracy in America, and free speech is a right and freedom that all of us cherish. When you and I stand up to exercise that right, not only to conduct the business of the people but also to run in partisan elections, we show our face. But there are those who enter the public debate anonymously, however, backed by funds, the source of which is unknown.

Mr. Chairman, this type of activity has two effects on American voters. The first is to cause outrage—and rightly so. After all, how can one expect justice and fair play from a system that has the appearance of being up for sale?

The second is apathy. Sadly, we know this to be true based upon recent voter turnout statistics. Average voters feel like they can't make a difference in our system of big bucks and anonymous contributions, and their response is to refuse to participate.

Mr. Chairman, you and I have both seen this outrage and apathy. Isn't it time we do something about it?

Triad is one of the many examples of this abuse of the system; abuses enactment of Shays-Meehan will end. By passing this bill, no one is telling the anonymous donors to Triad that they can't be a part of the public debate. Instead, it simply requires them to reveal themselves to the public and show their face, just like everyone else has to do.

Mr. Chairman, passing H.R. 417 is the one step Congress can take that will most contribute to restoring the public's loss of con-

fidence in our political process. People have an absolute right to know who is trying to influence their vote and the vote of their elected representatives.

I urge my colleagues to pass H.R. 417 immediately so we can shine the light of day on this problem.

[From the New York Times]

A BACK DOOR FOR THE CONSERVATIVE DONOR
CONSULTANT USED PAC'S AND NONPROFITS TO
OFFER MAXIMUM IMPACT

(By Leslie Wayne)

WASHINGTON, May 21—When Floyd Coates, an Indiana businessman and one-time candidate for Congress, decided to make some big campaign donations in the last election, he wanted to be sure that the \$100,000 or so he planned to give would end up supporting his brand of conservative, free-market, pro-military, anti-abortion candidates.

"I wanted to do all I could," Mr. Coates said. "But I didn't want my money to go to the 5 to 10 percent of the Republican candidates who were too liberal, or to the 5 to 10 percent who didn't have a chance."

So, for guidance, Mr. Coates turned to Triad Management Services, a Washington political consulting concern headed by a former fund-raiser for Oliver L. North. Tapping into a network of conservative donors across the country, Triad funneled their money through nonprofit groups and political action committees to support conservative candidates in important races. By finding donors and advising them where to put their money, Triad pumped more than \$5 million into last-minute negative television, advertisements that benefited Republican candidates and, in some cases, swayed elections.

A Democratic candidate for Congress in Kansas was described in an advertisement produced by Triad with money from conservative donors as supporting "special preferences for gays and lesbians." She lost. A Democratic Congressional candidate in Montana lost his slim lead, and the election, after a Triad advertisement portrayed him as a wife-beater.

In the hotly contested race for Bob Dole's Senate seat in Kansas, the Democratic challenger, who had been running neck-and-neck, lost after a last-minute \$200,000 advertising blitz from Triad characterized her as a "liberal" from Massachusetts, the state she left 20 years ago.

Few people, least of all the Congressional candidates under attack, knew where the money for these advertisements came from: a little-known group taking advantage of loopholes in campaign finance laws on behalf of Republican candidates.

"Triad played the role of an orchestra leader," said Bill Hogan of the Center for Public Integrity, a nonprofit research group. "They had an ocean of money, and where it comes from and where it goes doesn't have to be disclosed. These organizations skirt the very fine print of the Federal regulations. It's secret money, and the level of it is worse today than during Watergate."

Working outside the confines of the Republican Party, Triad, a profit-making consulting group, came up with ways for conservative donors—including corporations, which are prohibited from giving directly to Congressional candidates—to get money to tight races where conservative Republicans stood a chance of victory. The money was often channeled into television advertisements through nonprofit organizations—including one headed by Lyn Nofziger, a former aide to President Ronald Reagan who was convicted of three felony ethics violations—in ways that make it impossible to

trace the sources or the amounts of the donations.

In a year in which one new loophole after another in campaign finance law was being exploited, Triad carved out a unique role as a middleman and showed how nonprofits could be used to steer money into Congressional races. Triad did not collect campaign dollars itself. Rather, it advised individual donors on which candidates and political action committees to support. And it found donors, whose names were never disclosed, to contribute to nonprofit groups that used Triad to design attack advertisements.

In exchange for this, Triad collected a fee from the individual donors and took a portion of the money raised for the television advertisements. While there are many Washington consulting firms that advise candidates and parties, Triad is the rare one that advises donors.

For a fee, Triad would advise donors like Mr. Coates on which Congressional candidates and conservative political action committees to support. In doing so, Triad enabled conservative donors to maximize the impact of their dollars by coming up with back-door, but legal, ways for them to get money to Republican candidates in amounts above the \$2,000 Federal contribution limits.

This happened when Triad donors gave to candidates and to political action committees that would, in all likelihood, make donations to the same candidates. Using Mr. Coates as an example, he and his wife, Anne, gave \$5,000 to the Eagle Forum, a PAC headed by the anti-abortion leader Phyllis Schlafly, which gave money to candidates to whom the Coateses had already given.

For instance, the Coateses had already contributed \$2,000 to Randy Tate, a Republican Congressional candidate in Washington. Eagle Forum's political committee gave him an additional \$7,000. The Coateses gave \$2,000 to Sam Brownback, a Republican running for Mr. Dole's vacant seat in Kansas. Eagle Forum gave \$7,000. The Coateses gave \$3,800 to Jean Leising, a Republican Congressional candidate in Indiana, and the Eagle Forum contributed \$5,000.

Similarly, the Coateses gave \$5,000 to something called the American Free Enterprise PAC, which in turn, gave \$7,000 to Mr. Tate and \$4,500 to Mr. Brownback. In all, the Coateses donated to 14 conservative political action committees and 21 Congressional candidates; 17 of those candidates received money from the PAC's that had received money from Mr. and Mrs. Coates.

"I turned to Triad for research, and I liked their recommendations," Mr. Coates said. "I mailed checks to PAC's and candidates that shared my pro-life Christian values. But what the PAC's did with that money, I had no idea. They got no direction from me."

The role of Triad is under scrutiny by the Senate Governmental Affairs Committee, headed by Senator Fred Thompson, Republican of Tennessee. Under prodding from the Democratic minority, the committee recently subpoenaed Triad and two nonprofit organizations hired by Triad to find donors and produce last-minute multimillion-dollar advertising blitzes attacking Democrats.

One nonprofit is Citizens for Reform, headed by Peter Flaherty, a one-time campaign manager for President Reagan. Citizens for Reform raised and spent \$2 million from August to October 1996 on races in 10 states, with the most going to Kansas and California. Mr. Flaherty said in an interview that Triad had raised all the money for his group, which was founded last spring, and had spent it for him.

"We played a major role in the 1996 election, and we are quite happy with our results," Mr. Flaherty said. "Triad produced our television ads, drafted scripts and bought

television time. They basically managed it and lined up vendors for a television campaign and for our direct mail and phone banks."

Citizens for Reform, as a nonprofit organization, is not required to disclose its donations. Because it engages in some lobbying, however, donations to it are not tax-deductible.

In fact, it is the promise of anonymity—as well as a sky-is-the-limit rule on donations—that makes these nonprofit groups popular among big donors. Unlike contributions to individual Federal office-seekers and PAC's, there are no limits on how much can be donated to a nonprofit. And corporations, which are barred from donating to Federal candidates, can give to nonprofits.

"Privacy is important to our donors," said Mr. Flaherty, who added that his nonprofit did not take foreign money. "Nondisclosure is something we definitely point out."

The lack of disclosure, however, troubles some. "This is completely invisible money," said Kenneth Gross, former enforcement chief for the Federal Election Commission. "At least soft money is disclosed. This money isn't. It's one thing to have money that is under the radar screen. Money from nonprofits isn't even close to the radar screen."

The second nonprofit Triad advised was Citizens for the Republic Education Fund, where Mr. Nofziger is a director. This group spent \$2 million at the end of the 1996 election on advertisements produced and designed by Triad with money Triad had found for the nonprofit group. These spots focused on United States Senate races in Arkansas, especially against Winston Bryant, a Democrat who lost.

Mr. Nofziger declined to comment beyond saying, "As long as they are fiddling around

with Senate hearings, it's best for me not to talk."

Triad's founder and president is Carolyn Malenick, a former fundraiser for Mr. North. She also heads Citizens for the Republic Education Fund. Ms. Malenick's commitment to the conservative cause is well known, as is her fund-raising prowess.

"Carolyn is a terrific fund-raiser," Mr. Flaherty said. "She has a Midas touch. She has a bigger vision than others. People were never asked to contribute at this level before."

Triad collects a management fee based on donations to the two non-profits—in essence, a cut of all the money they raise. In addition, Ms. Malenick charges some donors a fee for her advice, on a sliding scale.

"My clients are typically socially conservative businessmen and women," Ms. Malenick said in an interview. "I provide them with due diligence, or research, in the political environment. If you want to buy stocks, you go to a stockbroker and get research and advice. That's what I do in the political arena, which is heavily regulated."

"We don't dictate or tell my clients what to do. We say, 'Here are the campaign giving limits and here are the laws.' We say, 'Here are the candidates who are viable and who feel the way you do.'"

Mark Braden, former general counsel of the Republican National Committee and Ms. Malenick's lawyer, compared her to a corporate consultant. "Carolyn has taken a Fortune 500 activity, consulting, and moved it to a group of socially conservative rich folks," Mr. Braden said. "And it's worked well."

One group Ms. Malenick said she did not work with closely is the Republican Party, although Republicans like Senator Don Nickles of Oklahoma have appeared in her literature. "I'm not an agent of the Repub-

lican Party," Ms. Malenick said. "I don't work for them. We choose where to get involved, and there is no need to tell them."

Rich Galen, a spokesman for the National Republican Congressional Committee, confirmed that view but acknowledged social ties between Triad's principals and the party. "Lots of people in this town get seen in the same places," Mr. Galen said. "So I don't want you to think some of these people don't show up in the same place and have a drink. But we do not do any coordination with them. That would be improper."

As well as illegal. One of the questions Senate Democrats want answered involves the extent of coordination, if any, between Triad, the nonprofits and the Republican Party. If coordination is shown, then Triad's nonprofit organizations could face the same disclosure and spending limits as other political committees.

Those on the receiving end of Triad's advertisements said they had been stunned by the onslaught. Jill Docking, a Democrat, was in a dead heat with Mr. Brownback for the Kansas seat vacated by Mr. Dole. She saw her chances vanish after an advertising blitz.

"We couldn't figure out where the ads were coming from," said Ms. Docking, a Wichita stockbroker. "Even more frustrating was the massive deluge. The ads came at me in every direction in the last weeks. There were five or six of these ads to every one of mine. Our television looked pretty pitiful. It clearly swayed the election."

Those who benefited from Triad's activities, like Senator Brownback, said they did not have a hand in the advertisements.

Still, the spots did not hurt. Said David Kensinger, Mr. Brownback's deputy campaign manager, "Never look a gift horse in the mouth."